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of the lack of a license or permit on the part of appellant would suffice, still the self-serving, unexplained and undocumented conclusion thereon of Pfc. Roque Fesalbon could not even assume a rough approximation of that evidential quantum.

WHEREFORE, the judgment of the trial court finding accused-appellant Leonito Macagaling *y* Atillano guilty of the crime of homicide in Criminal Case No. 1814 and also of homicide in Criminal Case No. 1815 is hereby *AFFIRMED*. However, its judgment in Criminal Case No. 1834 for illegal possession of a firearm and ammunition is *REVERSED* and said accused-appellant is hereby *ACQUITTED* of the offense charged therein on reasonable doubt, with costs *de oficio*.

SO ORDERED.

Narvasa, C.J. (Chairman), Puno, and *Mendoza, JJ.*, concur.

Padilla, J., on leave.

EN BANC

[G.R. No. 109289. October 3, 1994]

RUFINO R. TAN, *petitioner, vs.* **RAMON R. DEL ROSARIO, JR., as SECRETARY OF FINANCE & JOSE U. ONG, as COMMISSIONER OF INTERNAL REVENUE,** *respondents*.

[G.R. No. 109446. October 3, 1994]

CARAG, CABALLES, JAMORA AND SOMERA LAW OFFICES, CARLO A. CARAG, MANUELITO O. CABALLES, ELPIDIO C. JAMORA, JR. and BENJAMIN A. SOMERA, JR., *petitioners, vs.*

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RAMON R. DEL ROSARIO, in his capacity as SECRETARY OF FINANCE and JOSE U. ONG, in his capacity as COMMISSIONER OF INTERNAL REVENUE, *respondents.*

SYLLABUS

1. POLITICAL LAW; CONSTITUTIONAL LAW; REPUBLIC ACT NO. 7496 (SIMPLIFIED NET INCOME TAXATION SCHEME); CONSTITUTIONALITY; CONSTITUTIONAL OBJECTIVES IN LEGISLATING R.A. 7496 SUFFICIENTLY MET. — Article Vl, Section 26(1), of the Constitution has been envisioned so as (a) to prevent log-rolling legislation to unite the members of the legislature who favor any one of unrelated subjects in support of the whole act, (b) to avoid surprises or even fraud upon the legislature, and (c) to fairly apprise the people, through such publications of its proceedings as are usually made, of the subjects of legislation. The above objectives of the fundamental law appear to us to have been sufficiently met. Anything else would be to require a virtual compendium of the law which could not have been the intendment of the constitutional mandate.

2. ID.; ID.; ID.; ID.; R.A. 7496 IS NOT VIOLATIVE OF THE CONSTITUTIONAL REQUIREMENT THAT THE TAXATION "SHALL BE UNIFORM AND EQUITABLE". — Petitioner intimates that Republic Act No. 7496 desecrates the constitutional requirement that taxation "shall be uniform and equitable" in that the law would now attempt to tax single proprietorships and professionals differently from the manner it imposes the tax on corporations and partnerships. The contention clearly forgets, however, that such a system of income taxation has long been the prevailing rule even prior to Republic Act No. 7496. Uniformity of taxation, like the kindred concept of equal protection, merely requires that all subjects or objects of taxation, similarly situated, are to be treated alike both in privileges and liabilities. Uniformity does not forfend classification as long as: (1) the standards that are used therefor are substantial and not arbitrary, (2) the categorization is germane to achieve the legislative purpose, (3) the law applies, all things being equal, to both present and future conditions, and (4) the classification applies equally well to all those belonging to the

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same class. What may instead be perceived to be apparent from the amendatory law is the legislative intent to increasingly shift the income tax system towards the scheduler approach in the income taxation of individual taxpayers and to maintain, by and large, the present global treatment on taxable corporations. We certainly do not view this classification to be arbitrary and inappropriate.

3. ID.; ID.; ID.; ID.; THE COURT CANNOT DELVE INTO MATTERS WHICH RIGHTLY REST ON LEGISLATIVE JUDGMENT. — Petitioner gives a fairly extensive discussion on the merits of the law, illustrating, in the process, what he believes to be an imbalance between the tax liabilities of those covered by the amendatory law and those who are not. With the legislature primarily lies the discretion to determine the nature (kind), object (purpose), extent (rate), coverage (subjects) and *situs* (place) of taxation. This court cannot freely delve into those matters which, by constitutional fiat, rightly rest on legislative judgment. Of course, where a tax measure becomes so unconscionable and unjust as to amount to confiscation of property, courts will not hesitate to strike it down, for, despite all its plenitude, the power to tax cannot override constitutional proscriptions. This stage, however, has not been demonstrated to have been reached within any appreciable distance in this controversy before us.

4. ID.; ID.; ID.; EFFECTS OF R.A. 7496 ON GENERAL PROFESSIONAL PARTNERSHIP, EXPLAINED. — The Court, first of all, should like to correct the apparent misconception that general professional partnerships are subject to the payment of income tax or that there is a difference in the tax treatment between individuals engaged in business or in the practice of their respective professions and partners in general professional partnerships. The fact of the matter is that a general professional partnership, unlike an ordinary business partnership (which is treated as a corporation for income tax purposes and so subject to the corporate income tax), is not itself an income taxpayer. The income tax is imposed not on the professional partnership, which is tax exempt, but on the partners themselves in their individual capacity computed on their distributive shares of partnership profits. Section 23 of the Tax Code, which has not been amended at all by Republic Act 7496, is explicit: There is, then and now, no distinction in income tax liability between a

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person who practices his profession alone or individually and one who does it through partnership (whether registered or not) with others in the exercise of a common profession. Indeed, outside of the gross compensation income tax and the final tax on passive investment income, under the present income tax system all individuals deriving income from any source whatsoever are treated in almost invariably the same manner and under a common set of rules. Partnerships are, under the Code, either "taxable partnerships" or "exempt partnerships." *Ordinarily,* partnerships, no matter how created or organized, are subject to income tax (and thus alluded to as "taxable partnerships") which, for purposes of the above categorization, *are by law assimilated to be within the context of, and so legally contemplated as, corporations.* Except for few variances, such as in the application of the "constructive receipt rule" in the derivation of income, the income tax approach is alike to both juridical persons. Obviously, SNIT is not intended or envisioned as so correctly pointed out in the discussions in Congress during its deliberations on Republic Act 7496, aforequoted, to cover corporations and partnerships which are independently subject to the payment of income tax. "Exempt partnerships," upon the other hand, are not similarly identified as corporations nor even considered as independent taxable entities for income tax purposes. A general *professional* partnership is such an example. Here, the partners themselves, not the partnership (although it is still obligated to file an income tax return [mainly for administration and data]), are liable for the payment of income tax in their *individual* capacity computed on their respective and distributive shares of profits. In the determination of the tax liability, a partner does so as an *individual,* and there is no choice on the matter. In fine, under the Tax Code on income taxation, the general professional partnership is deemed to be no more than a mere mechanism or a flow-through entity in the generation of income by, and the ultimate distribution of such income to, respectively, each of the individual partners.

5. ID.; ID.; ID.; SECTION 6 OF REVENUE REGULATION NO. 2-93 MERELY CONFIRMED THE EXTENT OF ALLOWABLE DEDUCTIONS APPLICABLE TO *ALL* INDIVIDUAL INCOME TAXPAYERS ON THEIR NON-COMPENSATION INCOME. — Section 6 of Revenue Regulation No. 2-93 did not alter, but merely confirmed, the above standing rule as now so modified by Republic Act No. 7496 on basically the extent of allowable

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deductions applicable to *all* individual income taxpayers on their non-compensation income. There is no evident intention of the law, either before or after the amendatory legislation, to place in an unequal footing or in significant variance the income tax treatment of professionals who practice their respective professions individually and of those who do it through a general professional partnership.

APPEARANCES OF COUNSEL

Carag, Caballes, Jamora & Somera Law Offices for petitioners in G.R. No. 109446.

The Solicitor General for respondents.

D E C I S I O N

VITUG, *J.*:

These two consolidated special civil actions for prohibition challenge, in G.R. No. 109289, the constitutionality of Republic Act No. 7496, also commonly known as the Simplified Net Income Taxation Scheme ("SNIT"), amending certain provisions of the National Internal Revenue Regulations No. 2-93, promulgated by public respondents pursuant to said law.

Petitioners claim to be taxpayers adversely affected by the continued implementation of the amendatory legislation.

In G.R. No. 109289, it is asserted that the enactment of Republic Act No. 7496 violates the following provisions of the Constitution:

"Article VI, Section 26 (1) — Every bill passed by the Congress shall embrace only one subject which shall be expressed in the title thereof."

"Article VI, Section 28 (1) — The rule of the taxation shall be uniform and equitable. The Congress shall evolve a progressive system of taxation."

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"Article III, Section 1 — No person shall be deprived of x x x property without due process of law, nor shall any person be denied the equal protection of the laws."

In G.R. No. 109446, petitioners, assailing Section 6 of Revenue Regulations No. 2-93, argue that public respondents have exceeded their rule-making authority in applying SNIT to general professional partnerships.

The Solicitor General espouses the position taken by public respondents.

The Court has given due course to both petitions. The parties, in compliance with the Court's directive, have filed their respective memoranda.

G.R. No. 109289

Petitioner contends that the title of House Bill No. 34314, progenitor of Republic Act No. 7496, is a misnomer or, at least, deficient for being merely entitled, "Simplified Net Income Taxation Scheme for the Self-Employed and Professionals Engaged in the Practice of their Profession" (Petition in G.R. No. 109289).

The full text of the title actually reads:

"An Act Adopting the Simplified Net Income Taxation Scheme For The Self-Employed and Professionals Engaged In The Practice of Their Profession, Amending Sections 21 and 29 of the National Internal Revenue Code, as Amended."

The pertinent provisions of Sections 21 and 29, so referred to, of the National Internal Revenue Code, as now amended, provide:

"Section 21. *Tax on citizens or residents.* —

"x x x x x x x x x

"(f) Simplified Net Income Tax for the Self-Employed and/or Professionals Engaged in the Practice of Profession. — A tax is hereby imposed upon the taxable net income as determined in Section 27 received during each taxable year from all sources, other than income covered by paragraphs (b), (c), (d) and (e) of this section by every individual whether a citizen of the Philippines or an alien residing in

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the Philippines who is self-employed or practices his profession herein, determined in accordance with the following schedule:

"Not over ₱10,000	3%
Over ₱ 10,000 but not over ₱ 30,000	₱ 300 + 9% of excess over ₱10,000
Over ₱ 30,000 but not over ₱120,000	₱ 2,100 + 15% of excess over ₱30,000
Over ₱120,000 but not over ₱350,000	₱15,600 + 20% of excess over ₱120,000
Over ₱350,000	₱61,600 + 30% of excess over ₱350,000"

"SECTION 29. Deductions from gross income. — In computing taxable income subject to tax under Sections 21(a), 24(a), (b) and (c); and 25 (a) (1), there shall be allowed as deductions the items specified in paragraphs (a) to (i) of this section: Provided, however, That in computing taxable income subject to tax under Section 21 (f) in the case of individuals engaged in business or practice of profession, only the following direct costs shall be allowed as deductions:

"(a) Raw materials, supplies and direct labor;

"(b) Salaries of employees directly engaged in activities in the course of or pursuant to the business or practice of their profession;

"(c) Telecommunications, electricity, fuel, light and water;

"(d) Business rentals;

"(e) Depreciation;

"(f) Contributions made to the Government and accredited relief organizations for the rehabilitation of calamity stricken areas declared by the President; and

"(g) Interest paid or accrued within a taxable year on loans contracted from accredited financial institutions which must be proven to have been incurred in connection with the conduct of a taxpayer's profession, trade or business.

"For individuals whose cost of goods sold and direct costs are difficult to determine, a maximum of forty per cent (40%) of their gross receipts shall be allowed as deductions to answer for business or professional expenses as the case may be."

On the basis of the above language of the law, it would be difficult to accept petitioner's view that the amendatory law should be considered as having now adopted a *gross* income,

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instead of as having still retained the *net* income, taxation scheme. The allowance for deductible items, it is true, may have significantly been reduced by the questioned law in comparison with that which has prevailed prior to the amendment; limiting, however, allowable deductions from gross income is neither discordant with, nor opposed to, the net income tax concept. The fact of the matter is still that various deductions, which are by no means inconsequential, continue to be well provided under the new law.

Article VI, Section 26(1), of the Constitution has been envisioned so as (a) to prevent log-rolling legislation intended to unite the members of the legislature who favor any one of unrelated subjects in the support of the whole act, (b) to avoid surprises or even fraud upon the legislature, and (c) to fairly apprise the people, through such publications of its proceedings as are usually made, of the subjects of legislation.[1] The above objectives of the fundamental law appear to us to have been sufficiently met. Anything else would be to require a virtual compendium of the law which could not have been the intendment of the constitutional mandate.

Petitioner intimates that Republic Act No. 7496 desecrates the constitutional requirement that taxation "shall be uniform and equitable" in that the law would now attempt to tax single proprietorships and professionals differently from the manner it imposes the tax on corporations and partnerships. The contention clearly forgets, however, that such a system of income taxation has long been the prevailing rule even prior to Republic Act No. 7496.

Uniformity of taxation, like the kindred concept of equal protection, merely requires that all subjects or objects of taxation, similarly situated, are to be treated alike both in privileges and liabilities (*Juan Luna Subdivision vs. Sarmiento*, 91 Phil. 371). Uniformity does not forfend classification as long as: (1) the standards that are used therefor are substantial and not arbitrary, (2) the categorization is germane to achieve the legislative

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[1] Justice Isagani A. Cruz on *Philippine Political Law* 1993 edition, pp. 146-147, citing with approval Cooley on Constitutional Limitations.

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purpose, (3) the law applies, all things being equal, to both present and future conditions, and (4) the classification applies equally well to all those belonging to the same class (*Pepsi Cola vs. City of Butuan*, 24 SCRA 3; *Basco vs. PAGCOR*, 197 SCRA 771).

What may instead be perceived to be apparent from the amendatory law is the legislative intent to increasingly shift the income tax system towards the schedular approach[2] in the income taxation of individual taxpayers and to maintain, by and large, the present global treatment[3] on taxable corporations. We certainly do not view this classification to be arbitrary and inappropriate.

Petitioner gives a fairly extensive discussion on the merits of the law, illustrating, in the process, what he believes to be an imbalance between the tax liabilities of those covered by the amendatory law and those who are not. With the legislature primarily lies the discretion to determine the nature (kind), object (purpose), extent (rate), coverage (subjects) and *situs* (place) of taxation. This court cannot freely delve into those matters which, by constitutional fiat, rightly rest on legislative judgment. Of course, where a tax measure becomes so unconscionable and unjust as to amount to confiscation of property, courts will not hesitate to strike it down, for, despite all its plenitude, the power to tax cannot override constitutional proscriptions. This stage, however, has not been demonstrated to have been reached within any appreciable distance in this controversy before us.

Having arrived at this conclusion, the plea of petitioner to have the law declared unconstitutional for being violative of due process must perforce fail. The due process clause may correctly be invoked only when there is a clear contravention of inherent or constitutional limitations in the exercise of the tax power. No such transgression is so evident to us.

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[2] A system employed where the income tax treatment varies and made to depend on the kind or category of taxable income of the taxpayer.

[3] A system where the tax treatment views indifferently the tax base and generally treats in common all categories of taxable income of the taxpayer.

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G.R. No. 109446

The several propositions advanced by petitioners revolve around the question of whether or not public respondents have exceeded their authority in promulgating Section 6, Revenue Regulations No. 2-93, to carry out Republic Act No. 7496.

The questioned regulation reads:

"Sec. 6. *General Professional Partnership* — The general professional partnership (GPP) and the partners comprising the GPP are covered by R.A. No. 7496. Thus, in determining the net profit of the partnership, only the direct costs mentioned in said law are to be deducted from partnership income. Also, the expenses paid or incurred by partners in their individual capacities in the practice of their profession which are not reimbursed or paid by the partnership but are not considered as direct cost, are not deductible from his gross income."

The real objection of petitioners is focused on the administrative interpretation of public respondents that would apply SNIT to partners in general professional partnerships. Petitioners cite the pertinent deliberations in Congress during its enactment of Republic Act No. 7496, also quoted by the Honorable Hernando B. Perez, minority floor leader of the House of Representatives, in the latter's privilege speech by way of commenting on the questioned implementing regulation of public respondents following the effectivity of the law, thusly:

> "'MR. ALBANO. Now Mr. Speaker, I would like to get the correct impression on this bill. Do we speak here of individuals who are earning, I mean, who earn through business enterprises and therefore, should file an income tax return?
>
> 'MR. PEREZ. That is correct, Mr. Speaker. This does not apply to corporations. It applies only to individuals.'

"(See Deliberations on H.B. No. 34314, August 6, 1991, 6:15 P.M.; Emphasis ours)

> "'Other deliberations support this position, to wit:
>
> 'MR. ABAYA . . . Now, Mr. Speaker, did I hear the Gentleman from Batangas say that this bill is intended to increase collections

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> as far as individuals are concerned and to make collection of taxes equitable?
>
> 'MR. PEREZ. That is correct, Mr. Speaker.'

"(*Id*. at 6:40 P.M.; Emphasis ours)

"In fact, in the sponsorship speech of Senator Mamintal Tamano on the Senate version of the SNITS, it is categorically stated, thus:

> "'This bill, Mr. President, is not applicable to business corporations or to partnerships; it is only with respect to individuals and professionals.' (Emphasis ours)"

The Court, first of all, should like to correct the apparent misconception that general professional partnerships are subject to the payment of income tax or that there is a difference in the tax treatment between individuals engaged in business or in the practice of their respective professions and partners in general professional partnerships. The fact of the matter is that a general professional partnership, unlike an ordinary business partnership (which is treated as a corporation for income tax purposes and so subject to the corporate income tax), is not itself an income taxpayer. The income tax is imposed not on the professional partnership, which is tax exempt, but on the partners themselves in their individual capacity computed on their distributive shares of partnership profits. Section 23 of the Tax Code, which has not been amended at all by Republic Act 7496, is explicit:

"SECTION 23. Tax liability of members of general professional partnerships. — (a) Persons exercising a common profession in general partnership shall be liable for income tax only in their individual capacity, and the share in the net profits of the general professional partnership to which any taxable partner would be entitled whether distributed or otherwise, shall be returned for taxation and the tax paid in accordance with the provisions of this Title.

"(b) In determining his distributive share in the net income of the partnership, each partner —

"(1) Shall take into account separately his distributive share of the partnership's income, gain, loss, deduction, or credit to the extend provided by the pertinent provisions of this Code, and

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"(2) Shall be deemed to have elected the itemized deductions, unless he declares his distributive share of the gross income undiminished by his share of the deductions."

There is, then and now, no distinction in income tax liability between a person who practices his profession alone or individually and one who does it through partnership (whether registered or not) with others in the exercise of a common profession. Indeed, outside of the gross compensation income tax and the final tax on passive investment income, under the present income tax system all individuals deriving income from any source whatsoever are treated in almost invariably the same manner and under a common set of rules.

We can well appreciate the concern taken by petitioners if perhaps we were to consider Republic Act No. 7496 as an entirely independent, not merely as an amendatory, piece of legislation. The view can easily become myopic, however, when the law is understood, as it should be, as only forming part of, and subject to, the whole income tax concept and precepts long obtaining under the National Internal Revenue Code. To elaborate a little, the phrase "income taxpayers" is an all embracing term used in the Tax Code, and it practically covers all persons who derive taxable income. The law, in levying the tax, adopts the most comprehensive tax *situs* of nationality and residence of the taxpayer (that renders citizens, regardless of residence, and resident aliens subject to income tax liability on their income from all sources) and of the generally accepted and internationally recognized income taxable base (that can subject non-resident aliens and foreign corporations to income tax on their income from Philippine sources). In the process, the Code classifies taxpayers into four main groups, namely: (1) Individuals, (2) Corporations, (3) Estates under Judicial Settlement and (4) Irrevocable Trusts (irrevocable both as to *corpus* and as to *income*).

Partnerships are, under the Code, either "taxable partnerships" or "exempt partnerships." *Ordinarily*, partnerships, no matter how created or organized, are subject to income tax (and thus alluded to as "taxable partnerships") which, for purposes of the above categorization, *are by law assimilated to be within the*

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context of, and so legally contemplated as, corporations. Except for few variances, such as in the application of the "constructive receipt rule" in the derivation of income, the income tax approach is alike to both juridical persons. Obviously, SNIT is not intended or envisioned, as so correctly pointed out in the discussions in Congress during its deliberations on Republic Act 7496, aforequoted, to cover corporations and partnerships which are independently subject to the payment of income tax.

"Exempt partnerships," upon the other hand, are not similarly identified as corporations nor even considered as independent taxable entities for income tax purposes. A general *professional* partnership is such an example.[4] Here, the partners themselves, not the partnership (although it is still obligated to file an income tax return [mainly for administration and data]), are liable for the payment of income tax in their *individual* capacity computed on their respective and distributive shares of profits. In the determination of the tax liability, a partner does so as an *individual*, and there is no choice on the matter. In fine, under the Tax Code on income taxation, the general professional partnership is deemed to be no more than a mere mechanism or a flow-through entity in the generation of income by, and the ultimate distribution of such income to, respectively, each of the individual partners.

Section 6 of Revenue Regulation No. 2-93 did not alter, but merely confirmed, the above standing rule as now so modified by Republic Act No. 7496 on basically the extent of allowable deductions applicable to *all* individual income taxpayers on their non-compensation income. There is no evident intention of the law, either before or after the amendatory legislation, to place

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[4] A general professional partnership, in this context, must be formed for the sole purpose of exercising a *common* profession, no part of the income of which is derived from its engaging in any trade business; otherwise, it is subject to tax as an ordinary business partnership or, which is to say, as a corporation and thereby subject to the corporate income tax. The only other exempt partnership is a joint venture for undertaking construction projects or engaging in petroleum operations pursuant to an operating agreement under a service contract with the government (see Sections 20, 23 and 24, National Internal Revenue Code).

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in an unequal footing or in significant variance the income tax treatment of professionals who practice their respective professions individually and of those who do it through a general professional partnership.

WHEREFORE, the petitions are *DISMISSED*. No special pronouncement on costs.

SO ORDERED.

Narvasa, C.J., Cruz, Feliciano, Regalado, Davide, Jr., Romero, Bellosillo, Melo, Quiason, Puno, Kapunan, and *Mendoza, JJ.*, concur.

Padilla and *Bidin, JJ.*, on leave.

THIRD DIVISION

[G.R. No. 88795. October 4, 1994]

SEABORNE CARRIERS CORPORATION and JERRY RONALDO GATAN, *petitioners, vs.* **NATIONAL LABOR RELATIONS COMMISSION and ARMANDO A. TERNIDA,** *respondents*.

SYLLABUS

1. LABOR AND SOCIAL LEGISLATION; EMPLOYER AND EMPLOYEE RELATIONSHIP; ILLEGAL DISMISSAL; THE BURDEN OF PROVING PAYMENT OF BENEFITS, BEING AN INCIDENT OF A CLAIM FOR ILLEGAL DISMISSAL, RESTS UPON THE EMPLOYER. — The private respondent's allegation of non-payment of these benefits, to which he is by law entitled, is a negative allegation which need not be supported by evidence unless it is an essential part of the cause of action. It must be noted that the main cause of action of the private respondent is his illegal dismissal, and the claim for the monetary benefits